

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201719028**  
Release Date: 5/12/2017

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: February 17, 2017**

**LEGEND**

UIL: 4945.04-04

B = Program  
C = City  
D = School  
E = Organization

x dollars = Amount  
y = Number

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B.

One of your primary goals is to help young people overcome socioeconomic barriers through education by contributing to the steadily growing number of young people in the C metropolitan

area who overcome these barriers to graduate from public high school, and then from college, prepared for meaningful employment and active civic participation.

The purpose of B is to provide financial awards as necessary directly to support D High School graduates who will attend educational institutions that are described in Section 170(b)(1)(A)(ii) of the Code ("Educational Institutions") to allow such graduates an achievable, largely debt-free path to an Associate's or Bachelor's degree. The number of awards made each year will depend on the size of the applicant pool, the qualifications and needs of the candidates and the funds available to you. Each financial award will be for up to x dollars per academic year (based on current costs, to be adjusted in line with increases in the costs participants will incur), with the award amount to be determined based on the need of the applicant, for a two-year or four-year course of undergraduate study at an educational institution described in Section 170(b)(1)(A)(ii) of the Code for up to the four years of that course. Recipients of financial awards will also receive ongoing counselling, support, and advice from a representative of E (an independent nationally recognized college success program or a similar organization or counselor).

B will be publicized through informational material disseminated by you and D High School. There is no formal application process. Candidates will be nominated by a Nominating Committee which will consist of representatives of D High School, including one or more senior guidance counselors, along with college advisors, teachers and other guidance counselors, all of whom have regular and direct involvement with the students of D High School.

To be considered for an award under B, potential recipients must:

1. Be a D High School graduating senior with an offer of acceptance to an educational institution described in Section 170(b)(1)(A)(ii) of the Code to undertake a two-year or four-year course of undergraduate study;
2. Have generally earned a cumulative GPA of 2.0 and a class rank in the upper 50 percent of his or her graduating class. (An applicant with a GPA below 2.0 and class rank below 50% may be considered under special circumstances such as an applicant's demonstration of academic potential commensurate within the goals of B. Examples of special circumstances include an applicant's unstable domestic or financial situation or other personal issues causing the applicant's grades to have suffered);
3. Provide recommendations from two individuals, at least one of which must be an academic (such as a teacher, guidance counselor or administrator). These recommendations may be provided orally unless the Nominating Committee requests that such recommendations be in writing or if the applicant wishes to do so; if the recommendations are not in writing, the Nominating Committee will maintain a record of such recommendations;
4. Provide a writing sample (such as an essay or other written work) which demonstrates the academic potential of the applicant, if the applicant is requested to do so by the Nominating Committee or if the applicant wishes to do so;
5. Potentially have an unmet financial need in relation to the costs of undertaking a two-year or four-year course of undergraduate study; if a participant's total costs of attendance are covered by awards through the Free Application for Federal Student Aid ("FAFSA") and the Tuition Assistance Program ("TAP") awards, there will be no financial award component for the participant.

6. Agree to a personal interview with one or more members of the Nominating Committee and, separately, to one or more members of the Selection Committee.
7. Agree to regularly participate in a mentoring/advising program while attending college;
8. Agree to file the FAFSA and TAP applications annually, if eligible;
9. Not be related by blood or marriage to anyone serving on the Nominating and Selection committee as well not be a "disqualified person" within the meaning of Section 4946 of the Code.

The Nominating Committee will assess students at D High School to determine whether they satisfy the eligibility criteria and then will select students on a rolling basis and send its recommendations to your Selection Committee made up of your trustees who will review the recommended candidates using the following criteria:

- (i) The information about the student considered by the Nominating Committee which will include the transcripts of the student; it may also include the writing sample in cases in which the Nominating Committee asked for such samples to be provided or the student chose to provide such a sample;
- (ii) The prior academic performance of the student and the future academic potential of the student;
- (iii) The positive recommendations from teachers or coaches; and
- (iv) The conclusions from the reports of the personal interview with the student provided by one or more members of the Selection Committee regarding such student's demonstrated determination to succeed in college and life, and capability to continue education through the two-year or four-year course of undergraduate study.

On the basis of its review, the Selection Committee will select the recipients and will subsequently set the amount of each financial award. The award amount will be based on the difference between (1) the direct costs of the course of study plus an allowance for books and other supplies, and (2) the aggregate amount covered by college financial aid awards, FAFSA, TAP and any other equivalent program. The "direct costs" for a participant who commutes to the relevant educational institution include (i) tuition, (ii) fees, (iii) textbooks and supplies, and (iv) transportation costs equivalent to a monthly bus or train pass for the time attending such institution. For a participant who resides at the relevant educational institution, the "direct costs" include (1) tuition, (ii) fees, (iii) accommodation (equivalent to the cost of living in a double room at such institution), (iv) health insurance premium for a B participant who is unable to provide a waiver indicating that he or she already has health insurance coverage, (v) board (the cost of meals provided by the participant's college or accommodation or otherwise), and (vi) textbooks and supplies. On a case-by-case basis, applicants may request additional financial assistance for winter or summer semesters of study and for emergency funding to cover personal needs if the financial hardship of the participant prevents him or her from meeting the basic necessities of life.

For some participants in B, the costs of attendance will be fully covered by awards through FAFSA and TAP. In such cases, because such participant has no unmet financial need, no financial award will be provided. However, you may still arrange for the provision of ongoing counselling support and advice from representatives of E or a similar organization or counselor.

Participants will be required to complete semiannual reviews, submit transcripts at the end of each semester, and receive ongoing counseling so that you may monitor the participants' compliance with the terms and conditions of the grant and insure the grants are being used for their intended purpose. The continuation of the grant from year to year is conditioned upon the participant's continued enrollment in an undergraduate degree program and the participant's satisfactory academic performance.

The participant is expected to demonstrate an ongoing accumulation of credits towards his or her degree and a minimum GPA of  $y$ . If the participant's GPA falls below  $y$ , the participant should develop a plan in conjunction with his or her representative of E, or a similar organization or counselor, to demonstrate improvement over the following semester. If the participant does not demonstrate academic improvement over such semester, the participant may lose his or her eligibility to participate in B.

On a case-by-case basis, you may allow for an interruption of a B recipient's education without a corresponding loss of funds if the interruption is for a good cause (e.g., illness or family issues). You may also, for good cause shown, permit participation in B for undergraduate education to continue for more than four years to accommodate dual majors, degrees such as engineering that often require a fifth year, or participants who switch majors.

B participation is intended solely to enable worthy individuals to obtain an undergraduate education. No B participant will be required to enroll in any particular undergraduate or graduate program or to study any particular subject. Although B is available only at certain educational institutions as determined by you, each participant will have the choice to use the award in the pursuit of any course of undergraduate study he or she chooses.

You will retain records pertaining to all B participants, including all information secured by the Selection Committee to evaluate the applicants' qualifications, to ensure that funds are applied in furtherance of the purposes of B and you. To the extent possible, grants will be paid by you directly to the relevant educational institution on account of the fees such institution charges and the costs of other items covered by the grant. In such case, you will retain all documentation provided by the relevant educational institution pertaining to receipt of fees and application thereof to such participant's direct costs.

If grant funds awarded cannot be paid directly to the participant's educational institution, you will pay such grant funds to the participant's personal college account or to the participant directly to be used to meet his or her direct costs. The status of each participant's grant will be reviewed twice annually by you and the educational institution to ensure continuing compliance with the terms of the grant and to ensure such grant is used in furtherance of the purposes of B and you.

The focus of B is the students of C High School but in the future it is possible that the students of other high schools will be assisted in the same way. If you determine that the students of other high schools should be assisted, a similar process will be implemented in conjunction with the relevant high school. An independent Nominating Committee will be established comprised of representatives of the high school who will recommend students to the Selection Committee, and the students will be assessed in accordance with the same objective and nondiscriminatory criteria as that for B.

You provided a written statement that you will maintain the following: (1) Information used to evaluate the qualifications of potential grantees; (2) Identification of the grantees (including any relationship of any grantee to you), the amount and purpose of each grant; and (3) All grantee reports and other follow-up data obtained in administering B.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements